

## **Issue 78: INSIDER'S EDGE: Social Security Benefits Revisited**

Welcome back, Insiders! Hopefully getting back into the swing of things wasn't too tricky after last week's long weekend.

Today we're revisiting a topic we've covered before—Social Security benefits and MAGI (that's modified adjusted gross income for those of you who aren't into the whole brevity thing). Since caseworkers continue to have questions about whether Social Security benefits counts under MAGI, let's clear off the cobwebs and review!



### **The Basics: MAGI**

Remember, the guidepost for determining MAGI is IRS Form 1040, U.S. Individual Tax Return. When considering what income must be reported for MAGI, applicants should look at lines 7 through 21 on Form 1040. For the most part, any income not counted as income on lines 7 through 21 will not be part of MAGI. (Remember, deductions from MAGI are drawn from lines 23 through 35).

**Adjusted Gross Income (1040, line 37)**

**+ Foreign income**

**+ Tax exempt interest**

**+ Non-taxable Social Security benefits**

**= MAGI**

There are a few other special considerations when it comes to calculating MAGI for Medicaid eligibility determinations that I won't get into detail on today, but don't forget:

- Scholarships, awards, or fellowship grants used for education purposes and not for living expenses: NOT included in MAGI
- Certain American Indian and Alaska Native income derived from distributions, payments, ownership interests, real property usage rights, and student financial assistance: NOT included in MAGI
- An amount received as a lump sum is counted as income: Only counted towards household's MAGI during the ONE MONTH it is received

### **The Basics: Social Security Benefits**



*No need to panic, Insiders! You got this!*

Hopefully the bright red line above, **+ Non-taxable Social Security benefits**, caught your attention. Let's stop for a minute to look at the details.

20a	Social security benefits	20a		b	Taxable amount	-	-	-	20b
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Things get a little tricky when it comes to MAGI calculation and Social Security benefits. For many people, Social Security benefits are not taxable on their IRS filing, unless the family has other income.

However, for MAGI, include all Social Security benefits (**except Supplemental Security Income (SSI)**) received by the taxpayer – both taxed and untaxed. Some examples of Social Security benefits that count towards MAGI include:

- Social Security Disability Insurance (SSDI),
- Retirement benefits,
- Widow's benefits, and
- Survivor's benefits

**Exception:** If a dependent with Social Security benefits is **not** required to file a return, any Social Security benefits he or she receives are **not** counted towards the household's MAGI.

### **The Big Exception Explained: Social Security Benefits for Dependents and MAGI**

As you know, a dependent's income is only included in the household's MAGI if the dependent is required to file taxes based on the IRS tax filing thresholds.

In general, a single dependent under age 65 must file taxes if he or she has:

- Unearned income of >\$1,000, OR
- Earned income of >\$6,100, OR
- Gross income was greater than either: \$1,000 or earned income (up to \$5,750) plus \$350.

**HOWEVER, Social Security benefits **do not** count toward these thresholds for dependents.**

That's right, Social Security benefits **do not** count toward the IRS tax filing thresholds for dependents. If a dependent with Social Security benefits does not have enough other income to meet one of the filing thresholds, any Social Security benefits he or she receives are not counted towards the household's MAGI.

### **Additional Resources**

- *Issue 44: INSIDER'S EDGE: Disability Payments—Is it Income?*
- *Issue 53: INSIDER'S EDGE: Whose income is it? Social Security Benefits for Kids*
- *Issue 73: INSIDER'S EDGE: Social Security Income & MAGI*

- Action Transmittal 14-18: Procedures for Processing Modified Adjusted Gross Income (MAGI) Applications, <http://www.dhr.state.md.us/documents/index.php?dir=Transmittals%2FFIA-Action-Transmittals%2FFY-2014-Action-Transmittals%2F>.

**That's it for today!** Still confused? Send your questions my way, [dhmh.medicaidmarge@maryland.gov](mailto:dhmh.medicaidmarge@maryland.gov).